

Greater Tompkins County Municipal Health Insurance Consortium

Audit and Finance Committee

Agenda

August 20, 2018 – 3:30 p.m.

Old Jail Conference Room

1. Call to Order (3:30) M. Cook

2. Changes to Agenda (3:30)

3. Approve Minutes of July 24, 2018 (3:32)

4. Executive Director's Report (3:35) D. Barber
 - a. DFS Communications
 - b. Other Committees Activities
 - c. Investment Management Services Review Committee status report
 - d. Potential members
 1. **Resolution No.** – Acceptance of Application by the Village of Lansing to Become a Participant in the Greater Tompkins County Municipal Health Insurance Consortium
 - e. Captive Layer for Stop-Loss
 - f. Invoices: Hancock Estabrook – July 31, 2018 (Approval needed)
Bonadio – July 31, 2018 (Info. Only)

5. Financial Update (3:50) S. Locey
R. Snyder
S. Locey
 - a. Report on Receivables
 - b. 2019 Budget

6. **Resolution No.** – Authorization to Enter Into an Agreement with Segal Consulting for Audit of Consortium Operations (4:20)

7. Review Draft Policy on Exclusion of Population from the Consortium (4:30) S. Locey/D. Barber

8. Next Agenda Items (4:45) D. Barber

9. Adjourn (5:00)

Next Meeting: September 25, 2018

**Audit and Finance Committee
July 18, 2018 – 3:30 p.m. - draft
Old Jail Conference Room**

Present: Mack Cook, Steve Thayer, Bud Shattuck, Olivia Hersey (excused at 5:30 p.m.), Peter Salton (excused at 5:30 p.m.)
Excused: Ann Rider, Chuck Rankin, Rordan Hart, Laura Shawley
Guests: Judy Drake, Board of Directors Chair; Don Barber, Executive Director; Steve Locey, Locey & Cahill; Rick Snyder, Treasurer; Jessica Hobart, Tompkins County Finance Department

Call to Order

Mr. Cook, Chair, called the meeting to order at 3:36 p.m.

Changes to the Agenda

There were no changes to the agenda.

Approval of Minutes of June 24, 2018

It was MOVED by Mr. Shattuck, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present, to approve the minutes of June 24, 2018 as submitted. MINUTES APPROVED.

Executive Director's Report

Department of Financial Services Communication (DFS)

Mr. Barber reported he received a detailed memo from DFS requesting changes to the Jurat. One request was to include a list of debtors and a detailed description of what they represent. Mr. Snyder explained he added TC3, the Public Library, and the Soil and Water Conservation District, which are not signatories to the MCA, with a notation that they are subgroups that fall under Tompkins County.

During discussion it was stated that it was State requirements that led to the County being designated years ago as TC3's employer of record and bearing financial responsibilities for the College. Mr. Snyder spoke of efforts the County has made to work with TC3 over recent years and said over time the amount of premium receivables that is shown on the Jurat page in question has gone down considerably and there are no longer extremely large over-extended debts by College. He doesn't think there is a cause for concern at the Consortium's level at this time; however, it causes him concern that this has been raised at the DFS level and others agreed. Mr. Locey commented that whatever precedent is set for Tompkins County will be used for other municipalities that join. Ms. Drake said moving forward the Consortium could address this by sending new municipalities one bill and not issuing separate bills to subgroups. Mr. Snyder said he will suggest to Mr. Molino, County Administrator, that he raise this topic at his regular monthly meeting with the College President.

Other Committees

Mr. Barber said members have been provided with information discussed by the Executive Committee relating to the Consortium conducting an operations audit. He said although things have evolved over time, the Consortium is essentially doing things the same as it was when it began operating eight years ago. An operations audit would look at Excellus and ProAct audits and communication channels as well forming a Stop Loss analysis. Mr. Barber said this Committee will be looking at this at its meeting next month and taking action on a recommendation for the Board to authorize a contract.

He said the purpose of conducting this audit is to have someone other than DFS take a comprehensive look at the Consortium. As the size of the Consortium will continue to grow in coming years it will be important to where its at in order to have a strategic planning process going forward. Ms. Drake said an outcome she hopes to see is information that will help guide the Consortium's future management structure.

Mr. Barber said other items discussed by the Executive Committee that will be coming to this Committee include contracts with Bonadio, Locey and Cahill, ProAct, Tompkins County Finance, Newsletter editing, and a contract for Tompkins County IT support.

Mr. Barber reported the Wellness Committee met with Michelle Berry, the Consortium's Wellness Consultant. She is beginning to set up meetings and will also be working on the flu clinics.

The draft website is currently being reviewed and comments are being collected.

Mr. Barber said the subcommittee working on Investment Management Services has been reviewing the six proposals that were submitted. He reviewed contents of a memo he prepared and said the Committee has discussed possibly splitting the Consortium's funds between a couple of managers and retaining some funds from investments to ensure adequate liquidity. Two firms will be asked to attend an interview with a plan to put all of the funds to be invested with the chosen firm with a plan to evaluate after a short amount of time to see if another firm should be chosen or whether the Consortium will manage of its investments. He said the Committee asked him to reach out to local banks about money market rates on daily operating funds; however, he would like to have engaged the services of the selected firm and a solid plan developed prior to making those contacts. The Committee will meet next on August 9th.

Potential Members

Mr. Barber reported on the status of potential members:

Town of Sennet - plan documents have been submitted and plan comparisons sent;
Village of Lansing – very interested and likely to adopt a resolution in August;
Seneca County – there are a lot of discussions taking place and they are very interested;
New Roots Charter School – will be adopting a resolution this month to join; however, information has not yet been received.

RESOLUTION NO. - 2018 - ACCEPTANCE OF APPLICATION BY THE TOWN OF BIG FLATS TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

Mr. Barber said the Town has 25 actives that are all on the Bronze Metal Level Plan. There are approximately 22 retirees who are on a Medicare Advantage Plan and who would not be coming into the Plan. Ms. Drake asked that when this resolution goes to the Board that the Board be informed as to the number of employees being brought in and what plan they will be offering.

MOVED by Mr. Shattuck, seconded by Ms. Hersey, and unanimously adopted by voice vote by members present.

WHEREAS, by Resolution No. 005 of 2012 and amended by Resolution No. 27 of 2014 and Resolution No. 7 of 2018 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Town of Big Flats has submitted an official resolution authorizing the Town of Big Flats to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, the Town of Big Flats has complied with membership process outlined in Resolution No. 005 of 2012 and amended by Resolution No. 027 of 2014 and Resolution No. 7 of 2018 and has submitted copies of financial reports which have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee of the Greater Tompkins County Municipal Health Insurance Consortium, That the Board of Directors hereby accepts and welcomes the Town of Big Flats as the 33rd municipal participant, with health insurance coverage beginning January 1, 2019.

* * * * *

RESOLUTION NO. - 2018 - ACCEPTANCE OF APPLICATION BY THE VILLAGE OF FREEVILLE TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

Mr. Barber said the Village will bring one employee into the Consortium on the Metal Level Plan.

MOVED by Mr. Salton, seconded by Mr. Thayer, and unanimously adopted by voice vote by members present.

WHEREAS, by Resolution No. 005 of 2012 and amended by Resolution No. 27 of 2014 and Resolution No. 7 of 2018 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Village of Freeville has submitted an official resolution authorizing the Village of Freeville to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, the Village of Freeville has complied with membership process outlined in Resolution No. 005 of 2012 and amended by Resolution No. 027 of 2014 and Resolution No. 7 of 2018 and has submitted copies of financial reports which have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee of the Greater Tompkins County Municipal Health Insurance Consortium, That the Board of Directors hereby accepts and welcomes the Village of Freeville as the 34th municipal participant, with health insurance coverage beginning January 1, 2019.

* * * * *

Stop Loss

Mr. Barber said based on feedback received from attorneys there have been revisions made to the Intermunicipal Healthcare Agreement since the meeting at which it was adopted by the Board of Directors. The intent is the same but the agreement contains a more detailed description. All Directors have been provided with a copy and asked to indicate their support of Ms. Drake signing the agreement. A formal vote will take place on the revised agreement at the next Board meeting, along with an appointment of the Advisor and an Alternate to the HFC (Healthcare Financing Cooperative). He noted support of this does not commit the Consortium to anything, including funding.

Financial Report

Mr. Locey reported the Consortium is doing well from a financial standpoint at this time and has a net income of \$1.2 million through June 30th. He distributed and reviewed information on covered lives, contract counts, and claims data. He referred to claims information and said from the beginning of the Plan the Consortium has spent approximately 72% on medical and 28% on prescription drugs. He noted that the last 16 months of drug data has been very consistent and based on this, modifications have been made to the budget. He referred to medical claims on a per covered life basis and a breakdown of outpatient claims. There is a consistent trend of a rise in outpatient claims over the last several months that he will be following up on with Excellus. Mr. Locey said he has also seen softening in the prescription drug line down to 6.4% and medical claims down to 5.2%.

Mr. Locey provided an overview of the 2019 budget assumptions and noted trending information has been modified downward to 6.8% for medical and 8.5% for prescription drug (down from 7.5% and 9.6%), Aggregate Stop Loss was separated from Specific Stop Loss, and the Wellness Consultant fees were added, and nominal adjustments were made to other lines. Up to this point in the year medical claims are slightly higher than anticipated but drug claims are lower, bringing the net result even with what was projected. He said at this time the recommended premium rate increase is 5% or 2019, 6% for 2020, and 7% going forward. He said this is slightly higher than what they are seeing with their other groups; this could be attributed to the dominance of Cayuga Medical Center and there not being a lot of competition.

In response to Ms. Drake, Mr. Locey said the Audit Fee line includes the medical claims audit and the annual external financial audit. At the August meeting of this Committee a draft budget memorandum will be reviewed and comments will be incorporated when it is presented to the Board of Directors. Mr. Locey said he will be incorporating an amount for prescription drug rebates along with a reasonable expectation for going forward. He also said expense for investment fees can also be shown as a line item.

Mr. Locey said they analyze every year what every participant's share of the equity in the Consortium is for investments and distributed a spreadsheet showing the information by municipality. He said they have had an occurrence in two other Consortiums they work with where an entity has left and withdrawn its equity and this is a concern members should keep in mind going forward. He explained that if any group left, their claims would be paid through the IBNR and they would get whatever is left over. A way the Consortium can be protected against this is to restrict reserve accounts and not allow them to be counted towards the equity distribution. He suggested as part of the budget discussion at the next meeting to identify the four reserve accounts as restricted accounts and not available for distribution upon withdrawal and the only time available for distribution would be dissolution of the Consortium. He also suggested looking at the unencumbered fund balance level. It was stated that this is something that the firm conducting the operations could weigh in on and could also be discussed during the next review of the Municipal Cooperative Agreement.

Ms. Drake questioned what a 4% premium rate increase would look like and Mr. Locey said it would be possible if claims continued at the current levels. Mr. Cook asked that he provide the Committee with a scenario at the next meeting based on a 4% rate increase.

Mr. Barber said all year members had planned on a premium rate increase of 6% and now it is at 5% with a suggestion to consider 4%. Up to now the Consortium has always been working with a combination of medical and prescription drug claims trend at 8.5% and now it is less than that which is part of the reason there have been surpluses. The assumption is that the spend has decreased going forward and less than the national trend that has been used. He also noted the Catastrophic Claims Reserve should be \$2 million and not \$2.3 million as shown on the spreadsheet.

**RESOLUTION NO. – 2018 – RESOLUTION OF THE BOARD OF DIRECTORS OF THE
GREATER TOMPKINS COUNTY MUNICIPAL HEALTH
INSURANCE CONSORTIUM – AMENDMENT TO CONFLICT
OF INTEREST POLICY**

Mr. Barber said upon going back to the language contained in the original e-mail from the Department of Financial Services it requests that members sign something that currently exists and not something different and the revised proposal is much simpler and complies with what the Department asked the Consortium to do.

It was MOVED by Mr. Salton, seconded by Mr. Shattuck, and unanimously adopted by voice vote by members present. MOTION CARRIED.

WHEREAS, on February 27, 2014, the Board of Directors of the Greater Tompkins County Municipal Health Insurance Consortium ("GTCMHIC" or "Consortium") adopted a *Code of Ethics and Conflict of Interest Policy (Resolution No. 001 of 2014)*, and

WHEREAS, the New York State Department of Financial Services has recommended that the Consortium implement, as a good business practice, a process whereby board directors, officers, and key employees review and execute annual conflict of interest disclosure and acknowledgement forms, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee, That the Consortium's *Code of Ethics and Conflict of Interest Policy* dated February 27, 2014 is amended to include the following additional paragraph "17" and appended Exhibit "A":

"17. No later than April 15th, and each successive year thereafter, individuals serving as an officer, director and key employee shall certify they have read and agree to the terms stated within the Greater Tompkins County Municipal Health Insurance Consortium's Conflict of Interest and Code of Ethics Policy. The Board of Directors shall be made aware of any outstanding agreements at its next regularly scheduled meeting after the April 15 deadline. Should a successor be appointed to fill a position mid-year they shall be asked to sign the agreement at that time.

For purposes of this policy, (i) the terms "officer" and "director" shall have the same meaning as set forth in the Municipal Cooperative Agreement, dated October 1, 2010; and (ii) the term "key employee" shall mean any employee of the Consortium with executive or managerial capacity." These positions include:

- All Directors and Alternates designated by a Participant to have voting authority;

- Executive Director or Assistant Executive Director;
- Treasurer;
- Wellness Consultant;
- Plan Consultant;
- Administrative Clerk

* * * * *

Greater Tompkins County Municipal Health Insurance Consortium
Code of Ethics and Conflict of Interest Policy
(Adopted 2-27-2014; amended by Res. No. 008-2016)

Employees and the Board of Directors of the Greater Tompkins County Municipal Health Insurance Consortium shall:

1. Be dedicated to the concepts of an effective Consortium and believe that professional general management is essential to the achievement of this objective.
2. Shall affirm the dignity and work of the services rendered by the Consortium and maintain a constructive, creative, and practical attitude toward Consortium affairs and a deep sense of responsibility as a trusted public servant.
3. Be dedicated to the highest ideals of honor and integrity in all public and personal relationships in order that the member may merit the respect and confidence of the elected officials, of other officials and employees, and of the public.
4. Conduct themselves so as to maintain public confidence in their profession, the Consortium, and in their performance of the public trust.
5. Conduct their official and personal affairs in such a manner as to give the clear impression that they cannot be improperly influenced in the performance of their official duties.
6. Recognize that the chief function of the Consortium at all times is to serve the interests of all members.
7. Shall not disclose **Confidential Information** to others or use to further their personal interest, confidential information acquired by them in the course of their official duties.
8. Shall not, except pursuant to such reasonable exceptions as are provided by regulation, solicit or accept any gift or other item of monetary value from any person or entity seeking official action from, doing business with, or conducting activities regulated by the employee's agency, or whose interests may be substantially affected by the performance or nonperformance of the employee's duties.
9. Make no unauthorized commitment or promises of any kind purporting to bind the Consortium.
10. Shall act impartially and not give preferential treatment to any private organization or individual.
11. Shall not engage in outside employment or activities, including seeking or negotiating for employment, that conflict with official Consortium duties and responsibilities.

12. Shall endeavor to avoid any actions creating the appearance that they are violating the law or the ethical standards promulgated pursuant to this order.
13. Shall adhere to all laws and regulations that provide equal opportunity for all Americans regardless of race, color, religion, sex, national origin, age, or disability.
14. Shall not invest or hold any investment, directly or indirectly, in any financial business, commercial, or other private transaction that creates a conflict with their official duties.
15. **Reporting of Ethics Violations.** When becoming aware of a possible violation of the Consortium’s Code of Ethics, employees, Board of Directors, employees of members, and the public may report the matter to the Consortium Attorney-in-fact, John Powers, Esq.. In reporting the matter, members may choose to go on record as the complainant or report the matter on a confidential basis. Resolution of the reported violation shall occur according to the alternative dispute resolution (ADR) process set forth in Article V of the 2015 Amended MCA, except as follows. In lieu of the ADR step set forth at MCA Article V.3.a.(i), the Attorney-In-Fact will collect all information presented regarding the matter and send that information to a neutral third party designated by the Board of Directors who shall attempt to resolve the matter informally through mediation. If unsuccessful, the mediator shall make a recommendation with respect to resolution of the dispute in writing to the Executive Committee, which shall present the recommendation to the Board as provided for in 2015 Amended MCA Article V.3.a.(i). The remainder of Article V shall remain in effect”,
16. Employees and the Board of Directors should not discuss or divulge information with anyone about pending or completed ethics cases except as authorized by the Board of Directors.

CODE OF ETHICS AND CONFLICT OF INTEREST AGREEMENT

To be signed and submitted to the Consortium no later than **April 15th** of each year.

I have read and agree to the terms stated within the Greater Tompkins County Municipal Health Insurance Consortium’s Conflict of Interest and Code of Ethics.

Signature

Print Name

Consortium Title/ Municipality

Date

* * * * *

Analysis of claims costs by demographics and the impact of exclusion of a population from the Consortium

Mr. Locey distributed a document “Adverse Risk Selection Model” for Discussion Purposes Only. He said the Consortium is currently at \$42.5 million in premium income and \$1.2 million in other income, and \$43 million with expenses with all of its covered lives. In developing assumptions based on Consortium data for 2018 the average cost is \$652 per covered life per month. The average cost per cover life up to age 64 was \$675 and the average cost per covered life over age 65 was \$535. There are 4,300 covered lives up to age 64 and 840 over age 65. Premium revenue is \$42,500,000; the average premium per covered life is

\$669. Mr. Locey said when taking out the Medicare-age population there is a net decrease in revenue of \$1.3 million (3.65%). He further stated that this exercise could be done with any segment of the population and if their costs are less than the average they are subsidizing the rest of the population. If removed, there would be less revenue and more expense on average and the net result would be the rest of the population's expense goes up.

Mr. Locey said the same type of scenario would happen with offering multiple plans within an employer with an individual choice. When a group's costs are less than the average they are subsidizing the population and if removed they leave behind less revenue and more expense on average with the net result being an increase in cost for the rest of the population. He said the same thing happens even in smaller subsets when an employer is offered an individual choice of plans and provided an example of adverse risk selection and what would happen if a group such as the 30-39 age population with a cost of \$480 per covered life per month were offered a choice of plan. If given a choice of plans, they would likely choose a plan for such as the Gold or Silver and would use it primarily for preventive services. This would take away premium revenue but would not reduce the overall paid claims cost and based on that individual decision there would then be less revenue to pay expenses of the other members.

Mr. Locey said the Consortium is dealing with some municipalities that have had this kind of menu option available to their employees because they were community rated. With community rating there isn't the negative impact the Consortium would have because it is already built into the rate and why those rates are higher. Since the Consortium doesn't have the same volume as the community pool it doesn't have the same ability to absorb that.

Mr. Locey said this is also the case with municipalities that are coming in without their Medicare-age members. It was stated that there are municipalities in the Consortium that did not bring in their retirees and there are some municipalities that are considering joining and doing the same. Mr. Locey said one option the Consortium could consider is to tell municipalities that only bring in active employees that they would be assessed a fee for not bringing in their retirees. Mr. Shattuck questioned whether those municipalities that are already in the Consortium but did not bring their retirees in would be grandfathered. Mr. Locey said there are ways it could be addressed such as setting a time period to bring them in without a negative financial impact.

Ms. Drake questioned how the Consortium's Medicare Supplement Plan falls into this. Mr. Locey said it shouldn't be a problem if it is priced fairly and believes it is. Ms. Drake responded that the Consortium can provide an option to municipalities to bring retirees in with their actives and either choose the Medicare Supplement or pay a risk assessment fee. There was discussion of other factors that may impact an employer's decision such as contract language and that it may be necessary for legal opinions to be sought with regard to particular situations.

Mr. Cook asked if the Committee has had enough information to consider a policy addressing the ability of an entity to exclude their retirees. The Committee asked to be presented at the August meeting with a draft policy that could be extended to all groups along with information on which employers currently do not have all actives or retirees in the Consortium. The draft policy would require all groups coming into the Consortium to bring in all employee groups; it would not have a grandfather clause but would give employers an adequate amount of time to bring in all employee groups; the policy could also include a risk assessment. The second part of policy would address the number of plans that could be offered by stating a condition for joining the Consortium be that any municipality coming into the Consortium with more than one plan that employees not be allowed to change plans during open enrollment

more often than once every three years. It was noted that the other issue relates to Teamsters and this should also be addressed in the draft policy.

Mr. Salton and Ms. Hersey were excused at this time.

Unfinished Business

There was no unfinished business.

Next Agenda Items

The following items will be included on the next agenda:

- Recommendation on Investment Management Services
- Resolution accepting the Village of Lansing;
- Financial report including a report on receivables;
- Discussion of 2019 Budget; and
- Review draft policy adopting a risk assessment fee and requirement to stay within a plan for three years;

Mr. Locey suggested that the Committee receive a quarterly accounts receivable report.

Adjournment

The meeting adjourned a 5:45 p.m.



Greater Tompkins County Municipal Health Insurance Consortium

125 East Court Street • Ithaca, New York 14850 • (607)274-5590
www.tompkinscountyny.gov/hconsortium • consortium@tompkins-co.org

"Individually and collectively we invest in realizing high quality, affordable, dependable health insurance."

RESOLUTION NO. – 2018 - ACCEPTANCE OF APPLICATION BY THE VILLAGE OF LANSING TO BECOME A PARTICIPANT IN THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM

WHEREAS, by Resolution No. 005 of 2012 and amended by Resolution No. 27 of 2014 the Consortium Board of Directors adopted a policy outlining a process of applying for membership to the Consortium, and

WHEREAS, the Village of Lansing has submitted an official resolution authorizing the Village of Lansing to join the Consortium in accordance with the terms and conditions outlined in the Municipal Cooperative Agreement, and

WHEREAS, the Village of Lansing has complied with membership process outlined in Resolution Nos. 005 of 2012 (amended by Resolution No. 027 of 2014), and Resolution No 7 of 2018, and has submitted copies of financial reports which have been reviewed and found acceptable by the Consortium's Treasurer, Chief Financial Officer and/or the Consortium's Auditor, now therefore be it

RESOLVED, on recommendation of the Audit and Finance Committee of the Greater Tompkins County Municipal Health Insurance Consortium, That the Board of Directors hereby accepts and welcomes the Village of Lansing as the 35th municipal participant, with health insurance coverage beginning January 1, 2019.

* * * * *

